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C O N F I D E N T I A L SECTION 01 OF 03 TUNIS 000628

SIPDIS

STATE FOR NEA/MAG (HARRIS)
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CASABLANCA FOR FCS (ORTIZ)
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TAGS: [ECON](#) [EFIN](#) [ETRD](#) [TS](#)
SUBJECT: TUNISIA'S HAVE NOTS HAVE LESS

REF: A. TUNIS 522
[1](#)B. TUNIS 394
[1](#)C. TUNIS 365
[1](#)D. 07 TUNIS 1528

Classified By: Ambassador Robert F. Godec for Reasons 1.4 (b) and (d).

Summary

[1](#)1. (SBU) Tunisia prides itself on its solid middle class and often boasts of the nation's dramatic reduction in poverty. While Tunisia's middle class is certainly impressive compared to many developing nations, many experts argue that the GOT's figure of 81 percent overstates the case. With high inflation and low wages, the middle class is finding it increasingly difficult to make ends meet. If life is less than comfortable for the middle class, the situation is particularly acute for the lower class. The GOT states poverty has dropped to 3.8 percent, but official statistics conceal the relative poverty of many Tunisians. Even as some economists argue that the middle class is eroding, Tunisia's elite increasingly display the visible trappings of success to the frustration and dismay of most Tunisians. Economists note that Tunisia's recent economic growth has largely benefited the rich, representing a redistribution of wealth and another challenge to Tunisia's middle class character. End Summary.

Middle Class Myth?

[1](#)2. (SBU) Tunisia prides itself on its solid middle class, stating that over 81 percent of Tunisians are middle class and that nearly 80 percent of Tunisians live in a family-owned home. According to the Tunisian National Institute of Statistics (INS), the middle class is defined as having an income of between one and six times the minimum wage per household per year: a bracket of 2,615 dinars (US \$2,222) to 15,687 dinars (US \$13,328) per year for a 40-hour work week. After accounting for the average household size of four, the INS considers 4,000 dinars (US \$3,823) per person per year to be the upper limit for middle class.

Several contacts find this calculation laughable, noting that those at the lower limit of this middle class line would have great difficulty making ends meet. The line appears arbitrary when even some unskilled laborers might fall into the upper class. Household domestics -- few of whom would consider themselves among Tunisia's most comfortable -- can make upwards of 4,000 dinars a year. Many Tunisian contacts -- themselves renters -- find the 80 percent home ownership statistic unbelievable and argue that even if it is true it is because no one can afford to move out of the family-home (Ref B).

13. (SBU) Even as the GOT boasts of a growing middle class, high unemployment, stagnant wages, and rising inflation have made times tough for the middle and lower classes. A former banker and economic consultant told EconOff that he believed that Tunisia's real middle class is actually shrinking due to the high cost of living and failure of wages to keep pace. On June 2, the GOT announced a raise in Tunisia's minimum wage to 218 dinars (US \$185) from 208 (US \$176) a month for a 40-hour work week to help alleviate the impact of rising inflation, and in particular, high food prices (Ref A). Yet, the minimum wage does not go that far. Food inflation hit 8.7 percent for the first four months of 2008 over the same period in 2007, disproportionately affecting middle and lower class Tunisians. According to a survey conducted by the daily Le Temps, rents in Tunis average 200 to 420 dinars (US \$170 - 356) a month, above the minimum wage. Buying clothes at "la frippe"-- the second-hand clothing market, of which there are many -- is common not only among the poor, but is widely accepted among the middle class as a way to stretch

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their dinars.

Relative Poverty Under Wraps

14. (SBU) The GOT recently hailed the decline in its poverty rate, stating that poverty in Tunisia has dropped to 3.8 percent. While most observers would agree that poverty in Tunisia is fairly low, Tunisia's poverty line is in fact below a dollar a day. The INS set the poverty line at 400 Tunisian dinars a year (roughly US \$320). (Note: The World Bank has proposed a line of US \$1.25 a day at 2005 Purchasing Power Parity.) An INS official explained that 3.8 percent represents absolute poverty rather than relative poverty, which is the calculation used by the United States and most developed countries. The INS calculates that 400 dinars a year is the amount necessary to meet the World Health Organization's (WHO) nutritional recommendation of 2200 calories a day. The World Bank estimates that government transfers add approximately 300 dinars per family per year, which the WB believes does bring Tunisian families above the WHO's threshold of nutritional requirements. Nevertheless, currently the poverty line falls well below Tunisia's minimum wage. With 11.5 percent of Tunisians living below the minimum wage ceiling, the poverty line fails to adequately depict the meager subsistence of many Tunisians.

Rich Getting Richer

15. (C) Many Tunisians comment on the visible increase in luxury cars and designer stores, but ask who is actually able to afford them. Ten years ago, they say, these conspicuous displays of riches were rare. Today the roads are filled with Mercedes, BMWs, and even Hummers -- which can cost upwards of 125,000 (US \$106,000) to 200,000 dinars (US \$170,000). In the new Berges du Lac area of Tunis, a number of shops have opened boasting clothes from top-name designers such as Prada and Dolce and Gabbanna -- expensive in any country, but particularly dramatic when compared to an average Tunisian's salary. Widespread rumors of corruption

among President Ben Ali's extended family and the well-connected make these outward displays of wealth particularly irritating and frustrating for many Tunisians. Rumors of corruption aside, one World Bank economist argues that the benefits of Tunisian economic growth go primarily to the rich. He stressed that this represents an important redistribution of wealth in a country that has prided itself on its solid middle class character.

Comment

¶6. (C) Tunisia is largely free from the visible poverty present in many developing countries, and can certainly boast of its large middle class. Yet, the GOT's accounting is not all its cracked up to be -- and conveniently so. Clever use of statistics allows the GOT to conceal the relative poverty of many Tunisians and to keep official inflation artificially low (Refs A, D). Keeping the official poverty rate low and the middle class percentage high does little to hide real inflation, shrinking loaves of bread, and high unemployment from Tunisians. However, with Tunisia's elite flaunting their money, the have nots are taking notice. The recent protests in Redeyef prominently featured signs criticizing what many Tunisians believe is a growing class divide (Ref B). The GOT has succeeded in reducing absolute poverty, but relative wealth has the potential to alter Tunisia's social landscape. If the benefits of economic growth are not distributed equally, Tunisia will lose its middle class character as its rich become even richer. End Comment.

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